

House Bill No. 112 (TRS)
Introduced by Rep. Jean Price
By Request of the Teachers' Retirement Board

Introduced January 24, 2013

HB 112 was introduced to bring TRS into a state of actuarially sound funding and to allow the system to be more responsive to changes in the market and its impacts on the TRS amortization period. The bill creates two tiers of employees: those hired before July 1, 2013 and those hired on or after July 1, 2013. The tiers are outlined on page 2.

Long-Term Impact of HB 112

Reduces amortization period from infinite to 37 years

Savings from changes in benefits for new hires are not reflected in the fiscal note because these are savings that don't yet exist. However, the long term positive effects from these changes will gradually decrease the plan's total normal cost rate, accelerating the amortization of unfunded liabilities, which if all the actuarial assumptions are met, should result in the TRS being fully funded in 31 years, or by July 1, 2044.

Who Pays the Normal Cost?

	Current TRS	Current Members Under HB 112 – Tier 1	New Hires under HB 112 – Tier 2
Total Normal Cost	9.65%	9.83%	9.53%
Employee NC Contribution Rate	7.15%	8.15%	8.15%
Employer NC Contribution Rate	2.50%	1.68%	1.38%
UAAL rate	7.46%	9.28%	9.58%
total contribution rate	17.11	19.11%	19.11%

	Tier One (current members)	Tier Two - (new members)
Employee (EE) contribution	7.15% - no change	8.15% - new
EE supplemental contribution - <i>decreased if 90% funded and amortization is less than 15 yrs</i> - <i>increased if 80% or less funded and amortization is more than 20 years</i>	1% - new - may be adjusted by board - not to exceed 1%	On or after Jan. 1, 2023: new - board may impose - board may adjust - may not exceed 0.5% - must be matched by ER or state
Employer (ER) contribution	9.96% - no change	9.96% - no change
ER supplemental contribution - <i>decreased if 90% funded and amortization is less than 15 yrs</i> - <i>increased if 80% or less funded and amortization is more than 20 years</i>	1% - new - may be adjusted by board - not to exceed 1%	1% - new - may be adjusted by board - not to exceed 1%
State Contribution	\$25 million annual contribution from State Land revenues - new	\$25 million annual contribution from State Land revenues – new
Benefit multiplier	1.67% - no change	2% with 30 yrs or more of service and at least age 60 - new
Average final compensation	3 highest consecutive years - no change	5 highest consecutive years - new
Normal retirement eligibility	5 yrs and age 60 or 25 yrs service regardless of age - no change	5 yrs and age 60 or 30 yrs of service and at least age 55 - new
Early retirement eligibility	5 yrs and age 50 - no change	5 yr and age 55 - new
Disability retirement eligibility - benefit is greater of: - 1.67% x AFC x yrs of service - 1/4th AFC	Eligible if determined disabled - no change	Eligible if determined disabled and only if not eligible for early or normal retirement - new (lower benefit, cost-saving)
Death benefit	Beneficiary may receive normal retirement benefit - no change	Beneficiary may receive normal retirement or early retirement benefit - new (lower benefit, cost saving)